2013-2014

University of Connecticut Undergraduate Student Managed Fund

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Robert Bailey
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Eric Bourassa
Michael Cox
Joseph Grieco
Duston Hodgkins
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Executive Summary:

Investment Philosophy

The Student Managed Fund engages in value investing similar to that of Warren Buffett, Charles Munger, and many others. The Fund works to find companies that carry a high degree of probability to grow over a long period of time and be able to generate value for shareholders. The Fund conducts quantitative and qualitative research to determine the value of a company by looking at such factors as management capability, previous financial performance, and expected future risks.

Investment Strategy

The Fund will benchmark itself against the S&P 500. The Fund plans to beat the index by using the aforementioned value investing approach to invest in mostly U.S. equities. Some of the factors that the Fund looks into when evaluating a business are:

- Intrinsic Business Value vs. Market Value
- Cash Flow Yield
- Return on Equity and Return on Invested Capital
- Competitive Advantage
- Expected Growth Opportunities
- Management
- Aggregation Risk

Current Market Conditions

With the Dow Jones and S&P 500 at all-time highs and interest rates low, we believe the market is being artificially stimulated by Quantitative Easing. This monetary policy has seemingly adjusted equity prices to fair value making it more difficult to discover undervalued investments. Along with an artificially stimulated market, our nation's GDP growth has stagnated within the 2-3% range. Despite this environment, the Fund has invested in companies with strong fundamentals at fair prices that we believe can weather any storm. The Fund has a long-term investment outlook, and understands that business valuation and growth are the two main drivers on which the market relies. For these reasons, we choose companies that are undervalued and have a reasonable margin of safety.

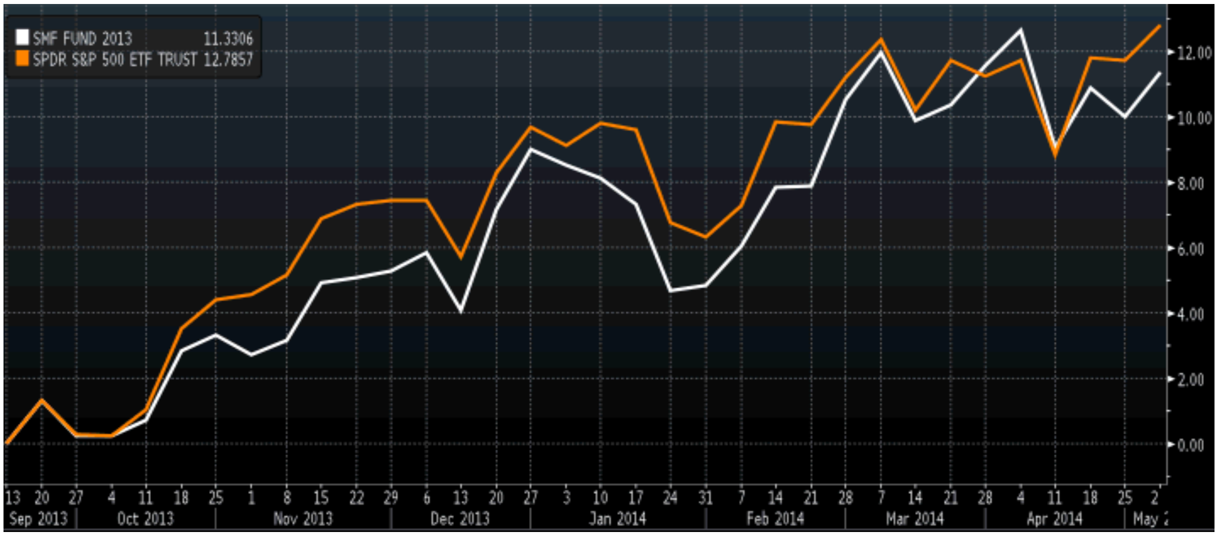
Process

Each manager specializes in at least two sectors and works with at least one other manager within that sector. These teams then research their sector for as long as necessary to determine which companies have the most significant mispricing from their true intrinsic value.

The Fund then conducts weekly meetings for the teams to pitch their stocks before the group and both Professor Terrion and Jeff Annello. The Fund then discusses the merits and risks of investing in the business, and then decides whether more information is needed or if the fund is ready to invest.

In order for a stock to be invested in, it must get at least 70% of the managers approval. After the Fund decides to invest in a business, the group determines how much capital to allocate based on the risks and growth potential of the business. Each company will receive between 3%-8% of the total capital available to the fund, based on its expected return.

Performance



As of May 2, 2014 the Fund has underperformed compared to the S&P 500 by **146** basis points since we started managing the portfolio on September 13, 2013. Our investments in the financial sector lead in performance while the transportation and consumer discretionary sectors have underperformed.

Overall, our portfolio underperformed the S&P 500. Our total unrealized gain was 11.33%, while the S&P increased 12.79%.

Our best performing stock was NVR, which experienced an unrealized gain of 17.16%. This high return was due to the company's significant outperformance of analyst expectations in the fourth quarter of 2013, and an expansion of its stock buyback program by $300 million.

Our poorest performing stock was Bed Bath and Beyond, which experienced an unrealized average loss of 18.65%. This low return was caused by the company lowering its future earnings guidance after making fourth quarter earnings estimates. Despite this news, the Fund believes that the fundamentals of the company are still strong, and that this severe drop provided an opportunity to invest an additional $30,000.

Investment Managers

Alexander Anisimov
Robert Bailey
Thomas Blankemeier
David Boudreau
Eric Bourassa
Michael Cox
Joseph Grieco
Duston Hodgkins
Matthew Mastrogiorgio
Lina Posada

Investment Philosophy:

The Student Managed Fund approaches investing based on the principles of value investing. In the valuation of investments, the Fund has adopted an approach similar to that of investors such as Benjamin Graham, Warren Buffett, and Charles Munger. The primary goal of the Fund is to identify undervalued stocks across a variety of industries. The Fund conducts in-depth quantitative and qualitative research. Quantitative research consists primarily of the assessment of a company's financial performance and how the strength of that financial performance is affected by the company's business model. Qualitative research focuses on risk factors affecting the success of the business model and the quality of management. Global and domestic news is also considered by the Fund when assessing the merit of a prospective investment.

Investment Strategy:

The Student Managed Fund will use the S&P 500 as the main benchmark for the undergraduate portfolio. The Fund will utilize a value investing philosophy with the goal of outperforming the S&P 500. Every investment will be evaluated on their merits separately in order to determine an appropriate allocation amount.

Although each investment will be evaluated independently, each security will be analyzed based on similar criteria. The following key quantitative and qualitative metrics will be adopted to help construct the undergraduate portfolio:

- Business Models
- Returns on Equity and Invested Capital
- Free Cash Flow Yield
- Distribution to Shareholders (via buybacks and dividends)
- Competitive Advantages in Industry
- Long-Term Growth Prospects
- Management Team
- Revenues and Earnings Growth
- Balance Sheet
- Downside Risk
- Intrinsic Business Value (versus current market price)

The undergraduate portfolio is composed of U.S. equities and cash. In addition to the above criteria, each manager will need to properly understand the risks of each security. The following risks are of the highest importance:

- **Business Model Risk** – the risk a company's business model is unsustainable or easily duplicated
- **Balance Sheet Risk** – the risk a company has leverage well above industry average
- **Management Risk** – the risk a company may have unreliable management
- **Aggregation Risk** – the risk involved with a portfolio sharing common risks among its holdings

Investment Process:

All managers were given a choice to specialize in two sectors. We determined the allocation of coverage prior to the start of the investment process. From this point, the managers began to conduct research on their assigned sectors with the goal of finding one or two companies within each sector that were worthy of presentation to the group.

After selecting a company through the use of research, the managers presented their selections to both the group, Professor Terrion and Jeffrey Annello during weekly meetings. Following the presentation, the managers collectively discussed both the benefits and major risks associated with the investment. After thorough discussion, the managers determined if a vote should be held or if the business should be revisited after further research.

If it is determined that the presentation and following discussion produced enough valuable information about the proposed business, the group then voted on whether the investment should be approved. For official approval, 70% of the managers must approve of the proposed business for investment. If a decision is made to invest, the group then discussed how much capital should be allocated to the business. Typically, each company will receive approximately 3%-8% of the available capital, with the most attractive investments, as determined by our collective judgment, receiving the greatest amount of capital.

This 3-8% range was determined by first assuming that the Fund would have approximately 18 total positions. The group then added a 2.5% spread, which allocation amounts could fall into. Stocks that either had stronger business models or higher expected returns would have more capital allocated to them, while stocks that had smaller margins of safety compared to our other investments would be allocated less capital.

The sectors and the corresponding analysts are listed below:

Basic Materials- Michael Cox, Matthew Mastrogiorgio
Consumer Discretionary- Robert Bailey, David Boudreau
Consumer Staples- Thomas Blankemeier, Duston Hodgkins
Energy- Alexander Anisimov, Michael Cox, Lina Posada
Financials- Thomas Blankemeier, David Boudreau, Joseph Grieco
Healthcare- Alex Anisimov, Eric Bourassa, Robert Bailey
Industrials- Matthew Mastrogiorgio, Lina Posada
Real Estate- Eric Bourassa, Michael Cox
Transportation- Michael Cox
Technology- Joseph Grieco, Duston Hodgkins
Utilities- None (See note below)

*__Note (Utilities):__ We discussed as a group that our time would best be spent without doing significant research on this particular sector, due to certain restrictions that impose limitations on growth.

For the spring semester, the officers for the Undergraduate Student Managed Fund are:

Lead Manager: Robert Bailey

Portfolio Manager: Duston Hodgkins

Treasurer/Secretary: Thomas Blankemeier

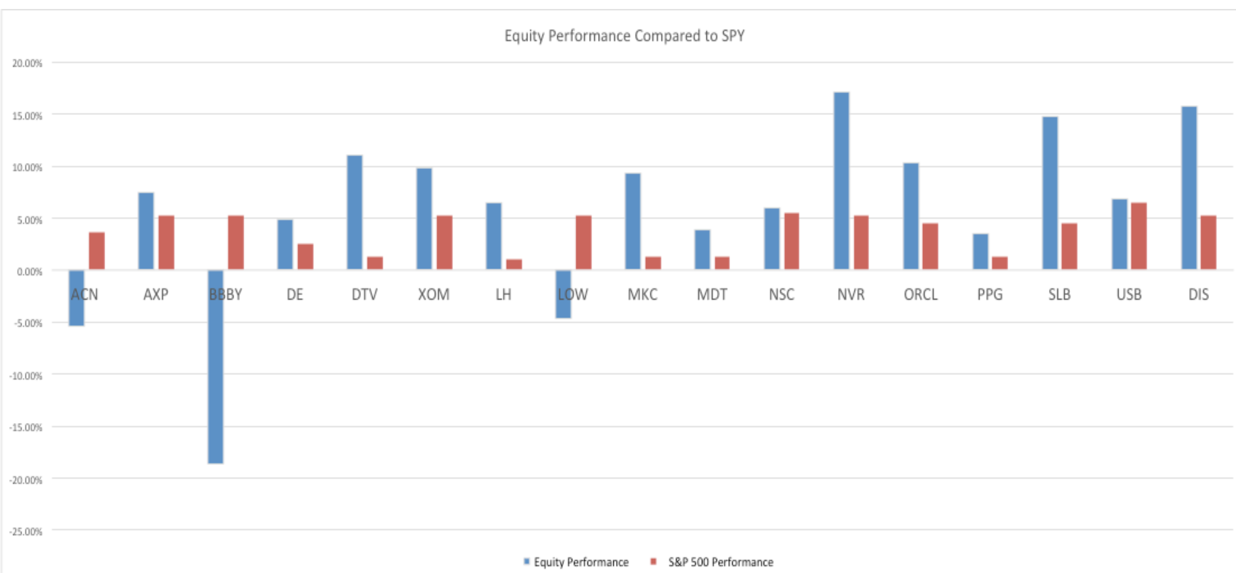
Undergraduate Supervisor: Patrick Terrion

Fund Director: Chinmoy Ghosh

Performance Analysis:

Undergraduate Portfolio Benchmark Comparison			
Undergraduate Portfolio		**S&P 500 Index**	
Beginning Value (09/13/2013)	$ 1,567,133.91	Beginning Value (09/13/2013)	$ 1,687.99
Ending Value (05/02/2014)	$ 1,744,691.75	Ending Value (05/02/2014)	$ 1,881.14
Dollar Change	$ 177,557.84	Dollar Change	$ 193.15
% Change	11.33%	% Change	12.79%
Difference	-1.46%		

Undergraduate Portfolio Positions										
Company Name	**Date Invested**	**Symbol**	**Shares**	**Purchase Value**	**Purchase Stock Price**	**Current Stock Price**	**Current Position Value**	**Dollar Gain/Loss**	**% of Account**	**% Loss/Gain**
Accenture	2/7/14	ACN	934	$ 78,371.55	$ 83.90	$ 79.36	$ 74,122.24	$ (4,249.31)	4.2%	-5.42%
American Express	11/12/13	AXP	1,350	$ 109,142.95	$ 80.84	$ 86.93	$ 117,355.50	$ 8,212.55	6.7%	7.52%
Bed Bath & Beyond	11/12/13	BBBY	1,781	$ 136,059.54	$ 76.39	$ 62.15	$ 110,689.15	$ (25,370.39)	6.3%	-18.65%
Deere	12/18/13	DE	858	$ 76,010.59	$ 88.58	$ 92.92	$ 79,725.36	$ 3,714.77	4.6%	4.89%
DirecTV	2/18/14	DTV	2,086	$ 149,992.35	$ 71.90	$ 79.89	$ 166,650.54	$ 16,658.19	9.6%	11.11%
Exxon Mobil	11/6/13	XOM	1,391	$ 129,177.21	$ 92.86	$ 102.01	$ 141,895.91	$ 12,718.70	8.1%	9.85%
Lab Corporation	2/20/14	LH	833	$ 76,811.55	$ 92.20	$ 98.23	$ 81,825.59	$ 5,014.04	4.7%	6.53%
Lowe's	11/12/13	LOW	1,807	$ 89,093.92	$ 49.30	$ 46.98	$ 84,892.86	$ (4,201.06)	4.9%	-4.72%
McCormick	2/18/14	MKC	1,549	$ 101,468.45	$ 65.50	$ 71.60	$ 110,908.40	$ 9,439.95	6.4%	9.30%
Medtronic	2/18/14	MDT	2,201	$ 124,519.52	$ 56.57	$ 58.77	$ 129,352.77	$ 4,833.25	7.4%	3.88%
Norfolk Southern	10/29/13	NSC	1,413	$ 124,734.46	$ 88.27	$ 93.57	$ 132,214.41	$ 7,479.95	7.6%	6.00%
NVR	11/6/13	NVR	80	$ 75,608.95	$ 945.00	$ 1,107.33	$ 88,586.40	$ 12,977.45	5.1%	17.16%
Oracle	1/31/14	ORCL	2,659	$ 98,391.95	$ 37.00	$ 40.81	$ 108,513.79	$ 10,121.84	6.2%	10.29%
PPG Industries	2/18/14	PPG	325	$ 61,258.45	$ 188.46	$ 195.18	$ 63,433.50	$ 2,175.05	3.6%	3.55%
Schlumberger	1/31/14	SLB	841	$ 74,067.41	$ 88.06	$ 101.03	$ 84,966.23	$ 10,898.82	4.9%	14.71%
U.S. Bancorp	10/24/13	USB	2,631	$ 99,460.75	$ 37.80	$ 40.39	$ 106,266.09	$ 6,805.34	6.1%	6.84%
Walt Disney	11/6/13	DIS	724	$ 50,240.07	$ 69.38	$ 80.31	$ 58,144.44	$ 7,904.37	3.3%	15.73%
Cash		Cash		$ 484.00			$ 5,148.57		0.3%	



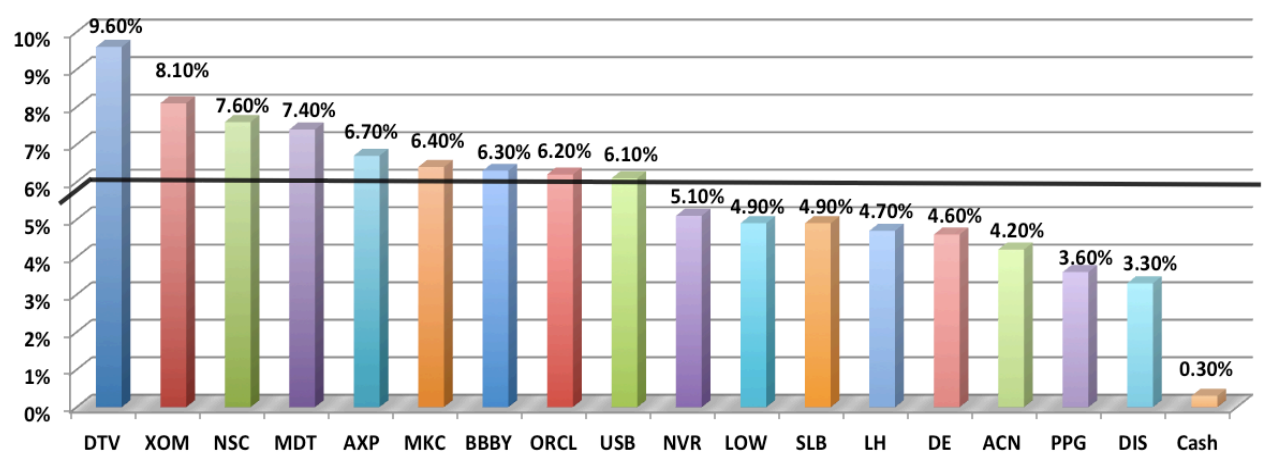
Over the past few months, we have seen strong returns in our investments in Energy, Real Estate and Financials. Our largest unrealized gain has been in NVR, with a 17.16% gain, while our largest unrealized loss has been in BBBY with an 18.65% loss. The large decline in BBBY occurred after the company announced fourth quarter earnings and lowered its future earnings guidance. In the weeks that followed, BBBY had dropped as much as 18%.

We caution against making conclusions based on a short period of results. We believe that all of our holdings continue to pose strong value cases and will produce strong returns in the long term.

The majority of our underperformance has been realized due to the time when we have to liquidate cash and wait three days for settlement before buying our new position. We have missed out on significant upside movements in the market because of the lag time between when we pitch and purchase a security. An example of a missed opportunity was the purchase of Norfolk Southern. While the company was pitched at the low $80 range, the lag time did not allow for the stock to be purchased until it was selling in the high $80 range.

Equity Portfolio & Breakdown Approach:

Since only having half of our portfolio invested at the end of 2013, we made significant efforts to invest the remaining half during the first few weeks of the spring semester. We all researched companies over winter break and returned with at least two companies each that were ready to be pitched. As a result, we now have a fully invested portfolio. Currently, our average weight per stock is roughly 5.88%. When we decided to purchase a new stock, we typically decided the amount in dollar terms instead of percent terms. We strived to take a $75,000 - $125,000 position in each company, but the actual amount varied company to company. Some exceptions are Disney (DIS), which we only invested $50,000 because of its comparatively less attractive return potential. The other was DirecTV (DTV), in which we invested $150,000 because of its favorable valuation. We are fully invested in 17 different companies instead of our original goal of 18-20 because as value investors, we did not find as many attractive investment opportunities as we originally anticipated. We decided to invest more of our portfolio into fewer companies. For example, companies such as Lowe's (LOW) and Bed Bath and Beyond (BBBY) became more attractive as their stock price fell without any fundamental changes in either of their businesses. Therefore, we decided to reinvest more of our portfolio into them. We also made a larger than normal investment into DTV. We believe that DTV is more undervalued compared to other companies in our portfolio. We are content with our current portfolio allocation and believe that we hold a sufficient level of diversification.



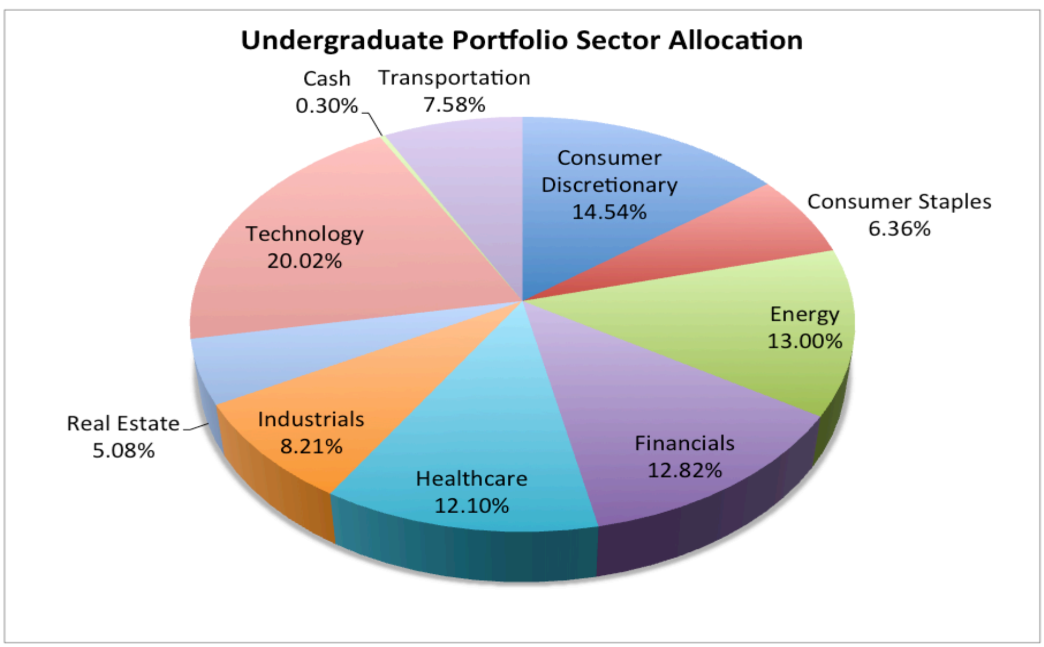
Sector Allocation:

The manner in which our portfolio was allocated by sector stems from our team's investment philosophy. As previously mentioned, the focus of our investment decisions was based primarily on selecting companies that exhibited strong business models and that are trading at a discount relative to their intrinsic value. We did not limit our investment decisions by requiring a certain allocation of the portfolio into specific sectors. We believe that certain sectors, for example utilities, contain companies that would not create as much value as other sectors, so we did not make it a requirement to allocate into that area. Our team takes into consideration sector allocation in order to minimize aggregate risk and diversify our portfolio. While our team did not set any floor for sector allocation, there was a cap of 25% set on the amount that could be allocated to any one sector.

The following table highlights the sector breakdown and sector performance of our portfolio as of May 2, 2014:

Undergraduate Portfolio Sector Allocation

Sector	Percentage Total Portfolio	Percentage Return
Consumer Discretionary	14.54%	-7.87%
Consumer Staples	6.36%	9.30%
Energy	13.00%	11.62%
Financials	12.82%	7.20%
Healthcare	12.10%	4.89%
Industrials	8.21%	4.29%
Real Estate	5.08%	17.16%
Technology	20.02%	6.90%
Cash	0.30%	0.00%
Transportation	7.58%	6.00%
Total	**100.00%**	



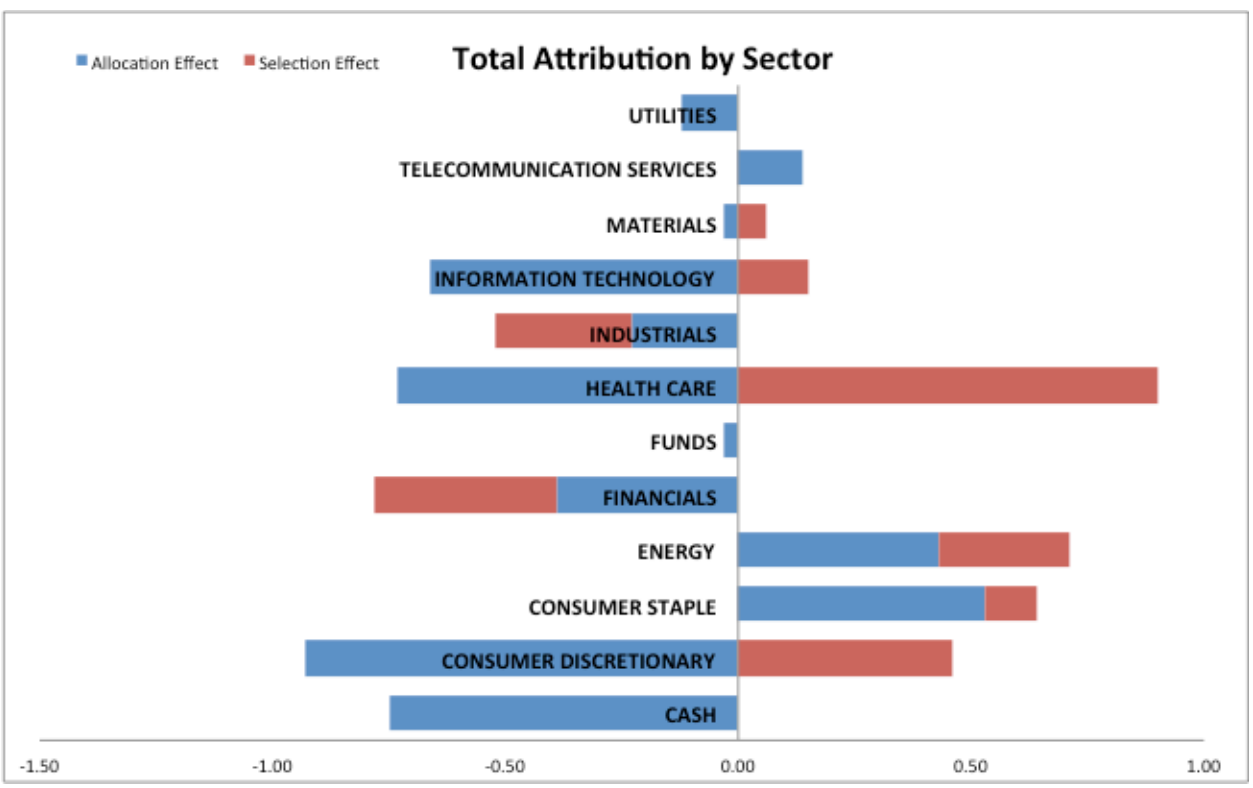
Attribution Analysis:

Attribution analysis looks to categorize the factors that create the performance of our portfolio. It compares the portfolio to the benchmark, and then divides up excess return into three segments:

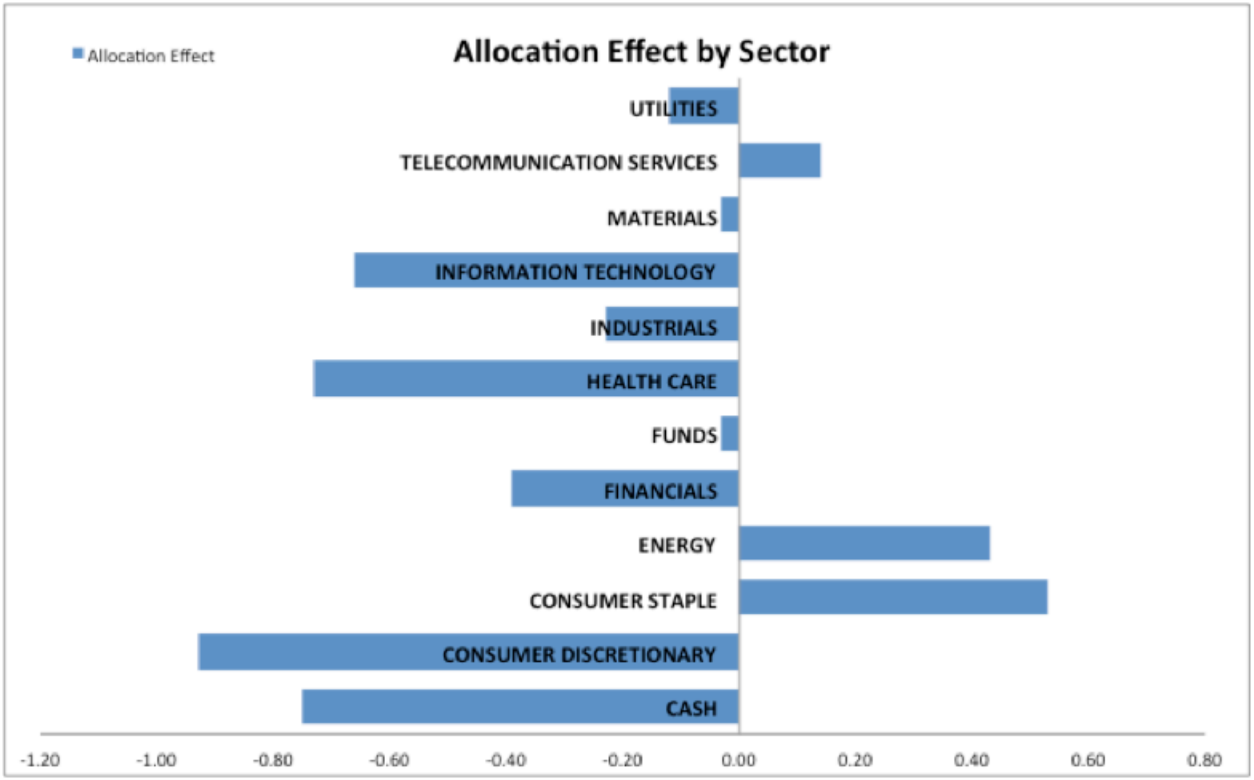
- Allocation Effect
- Selection Effect

Our analysis of the portfolio was from September 13, 2013 to May 2, 2014. Though this is the date we received access to the portfolio, our first investment did not occur until October 24, 2013. Despite this, we still analyzed our returns over the period where our only investment was in the S&P 500 ETF. Our performance over this time period equated the markets, and as a result will not adversely affect our attribution analysis.

Benchmark Comparison (%)	
Return	11.33
Benchmark Return (S&P 500)	12.79
Active Return	-1.46
Attribution Analysis (%)	
Active Return	-1.46
Allocation	-2.75
Selection	1.29



Allocation Effect



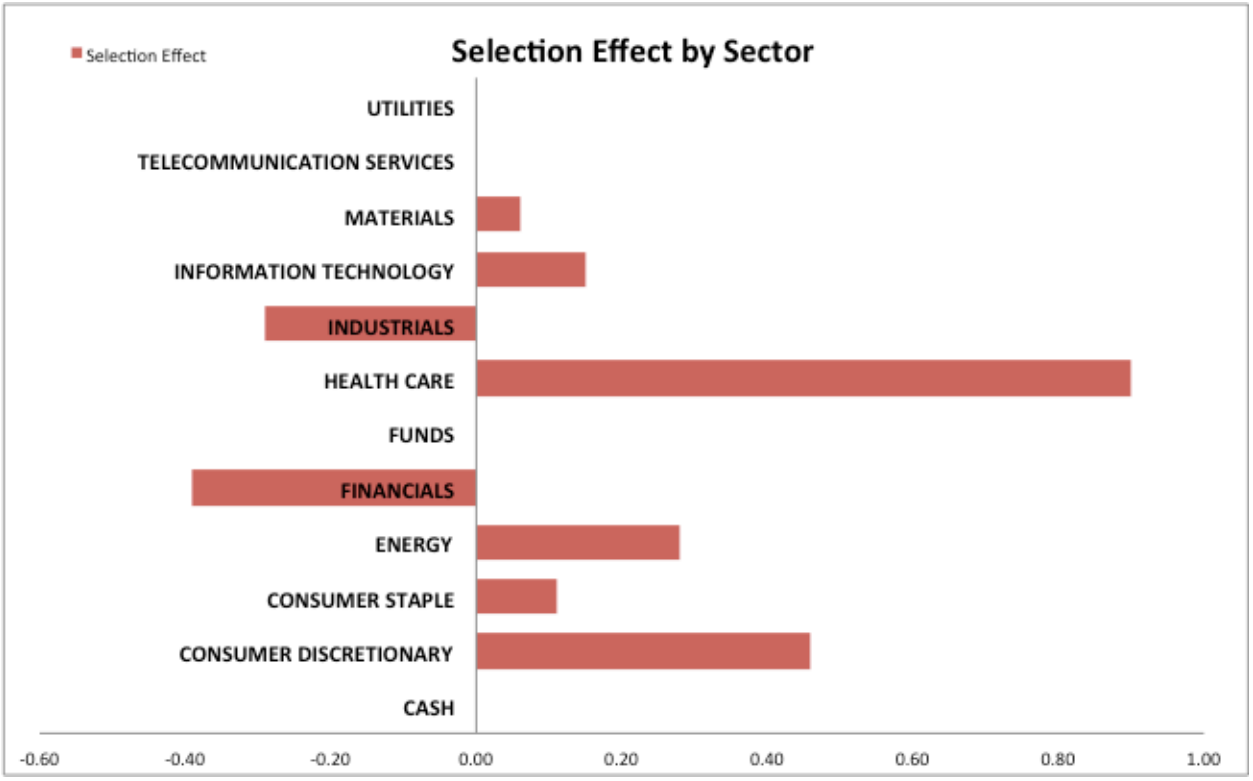
The allocation effect is a measure of a manager's decision to over or underweight a sector. This weight difference is compared to that sector's performance within the benchmark over a period. Our total allocation effect was -2.75%. One of the leading causes for this was the information technology sector. We did not invest in a technology company until the second semester, so our average weight is significantly below the benchmark's average. The IT sector had the highest return in the benchmark, with 15.96%, so our decision to underweight this sector created the negative allocation effect. A large portion of this industry's rise comes from companies such as Facebook, LinkedIn, and Twitter, which have seen a significant rise over the past few months. We feel, however, that the business models and performance of these companies does not support such a high valuation. The result created a negative allocation effect for our portfolio, but we are still confident in our investment allocation.

The same goes for the healthcare sector. Healthcare returned 14.39%, but we did not allocate any funds to the industry until the second semester. Another large aspect of the allocation effect was the cash holdings. Since we are mandated to have the cash sitting for a minimum of three days prior to purchase, we frequently held large positions in cash.

Consumer discretionary sector was our largest sector of negative allocation effect. This sector was our largest weighted sector over the past year, and the sector only reported a 7.93% gain. Since the sector underperformed, and we significantly over weighted consumer discretionary, it created a large negative allocation effect.

Our largest positive allocation effect was generated by the consumer staples industry. This area significantly underperformed the rest of the benchmark. Our decision to underweight this sector generated a positive allocation effect of 0.53%.

Selection Effect



Selection effect measures an active manager's ability to choose individual securities in each segment. A positive measure demonstrates that a manager correctly identified a security that will outperform the rest of its sector. Our largest positive selection effect was generated from healthcare and consumer discretionary. In these sectors, our investment decisions generated returns that outperformed the rest of the sector, creating a large selection effect.

The lowest selection effect came from the financial sector. This was a high performing sector for the S&P 500, our stocks in this sector, however, only generated a return of 2.10%, generating a large negative selection effect of 0.39%. We are still confident in our positions in this sector, and feel that they will be able to outperform the market over the next few years.

Attribution Conclusion

Despite underperforming the market, we are still pleased with our portfolio's performance. The decision to wait to invest in IT and healthcare companies until we fully understood the market and their business models generated a large negative allocation effect. Despite this, we are now invested into these two sectors, and believe that our investments will be able to outperform moving forward. Our selection effect was positive, despite the loss on Bed Bath and Beyond. This demonstrates that we have learned how to identify and invest in companies that are the most likely to outperform the market.

Risk Management:

We are maintaining a high level of risk management by putting each selected stock through a rigorous screening and analysis process before committing to a purchase. This process includes analysis of the overall business model, the competitor landscape, an industry analysis, and corporate social responsibility. Specifically, we take a long-term forward-looking approach to assess whether any competitive advantages are sustainable, as well as the company's financial situation revolving around debt levels, intelligent allocation of capital, and the ability to consistently generate cash for shareholders. The rigorousness of this process becomes apparent as up to this point, we have only decided to purchase slightly over half of the stocks that were analyzed or pitched.

With multiple managers specializing in different sectors, we have been able to successfully diversify our portfolio holdings across multiple sectors to avoid significant aggregation risk. Thus, in the event of a single industry experiencing a downturn, the majority of the portfolio remains unaffected. We continue to monitor the portfolio on a daily basis and are continuously reevaluating our existing positions. In the event of any single security or the market as whole taking a highly significant and unexpected downturn, we hold a 20% stop-loss from the purchase price to cap potential losses. Our risk management focus is centered on long-term performance and capital preservation, so we are generally not overly concerned with short-term volatility in the market.

Economic Outlook:

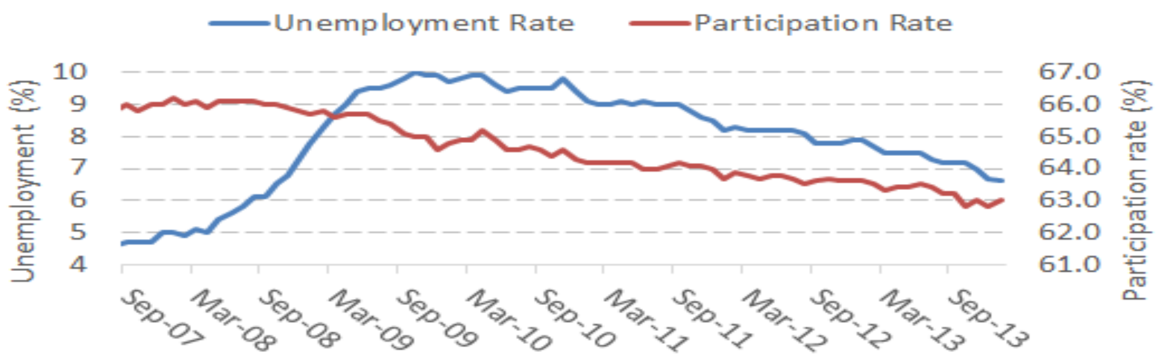
Introduction

The United States has experienced very sluggish growth during the last five years, especially when compared to prior recoveries after a recession. This can be illustrated with a look at GDP growth rates for the United States during 2013 with readings of 1–3% YoY. Major concerns facing the domestic economy are the unemployment rate, the tapering of Quantitative Easings, and a slow recovery in the Eurozone. Today, economies are more global than ever and any disruptions overseas can put a damper on the US economy. In this low interest rate environment that is being artificially stimulated by Quantitative Easing, the equity market has seemingly adjusted to fair prices, making it difficult to find undervalued investments. However, our team has found companies with strong fundamentals that we believe can weather any storm that may come about from the aforementioned economic concerns.

Unemployment Rate

The unemployment rate is one of the most important statistics used by the Fed to gauge the strength of the US economy. The basis behind this is 70% of GDP is due to consumer spending, which is only able to grow with the increase in jobs. Manufacturing and construction jobs were hit the hardest as a result of the 2008 Financial Crisis. These losses have been offset by increases in education and healthcare positions, and more recently leisure, hospitality, and retail. The problem with this is these jobs do not pay as well as manufacturing and construction, which has a negative impact on consumer spending.

Although the unemployment rate has improved from 10.0% to around 6.3% currently, the chart below shows that this improvement may be due to a decrease in the participation rate.

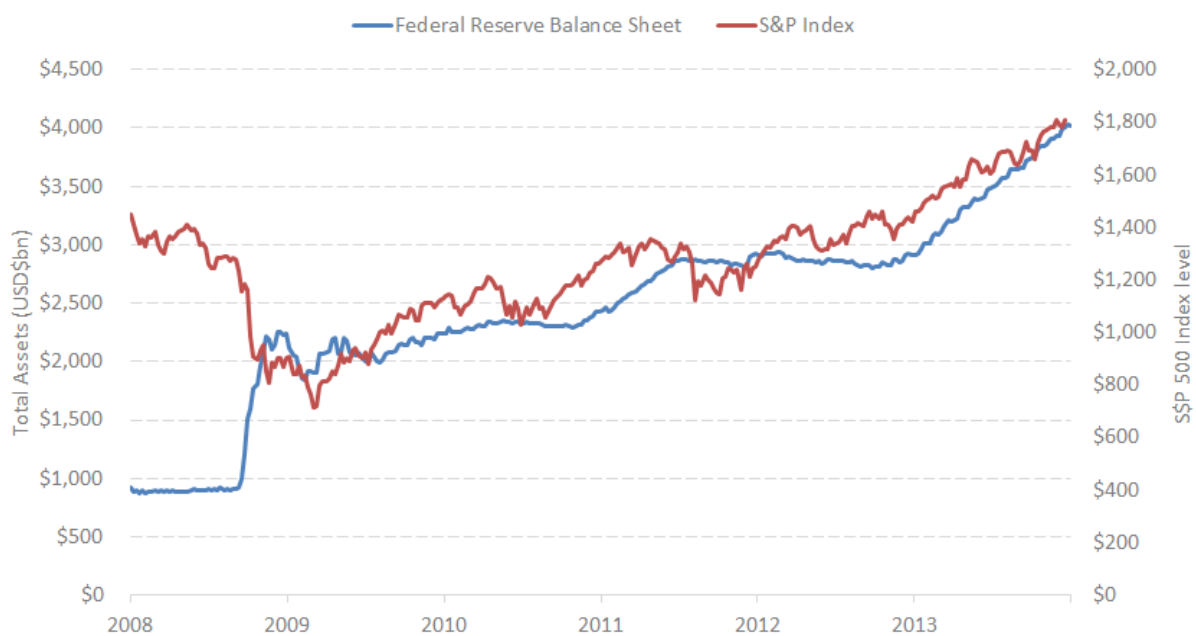


Source: Bloomberg LP

With Janet Yellen as the new Chairman of the Federal Reserve, we look for strong unemployment numbers moving forward to affect the decision to further taper the Quantitative Easing initiative.

Quantitative Easing

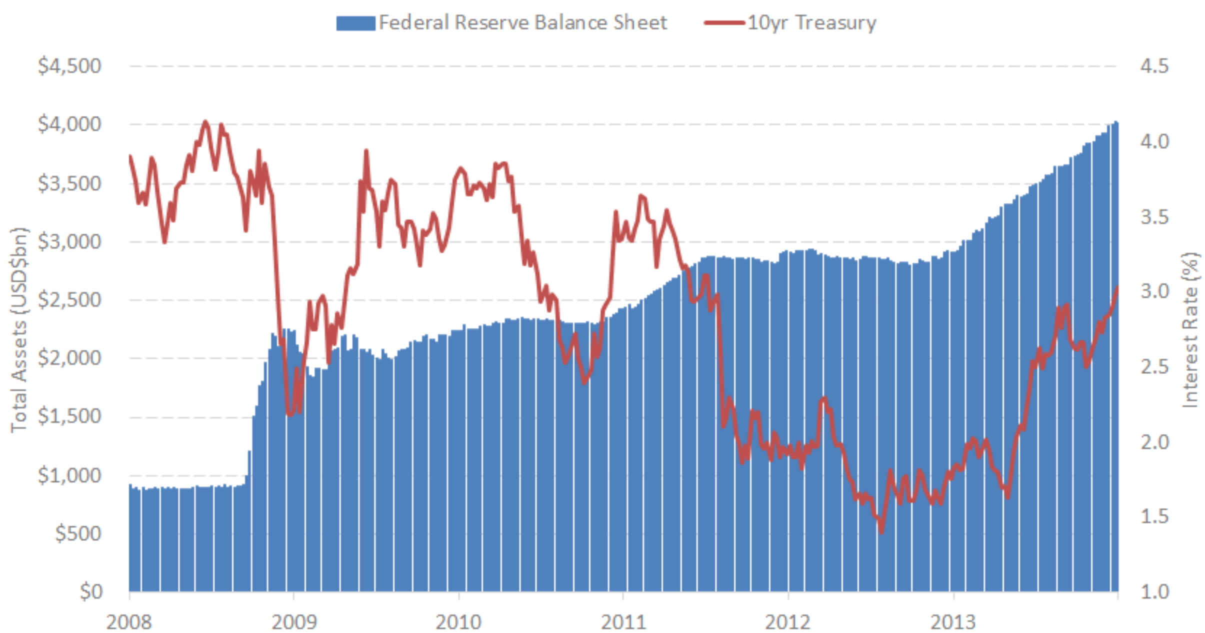
Quantitative Easing has continued to be a major factor stimulating the economy, allowing corporations to borrow at low interest rates. The Federal Reserve has recently begun to taper the monthly purchase of mortgage-backed securities and 30-year treasury bonds down to $45 billion from $85 billion. We believe the Fed will continue to slowly decrease spending as stronger economic data is shown. With this ease, the equity market will either be able to maintain the positive trend, or have a slight setback. The graph below supports why we believe there may be a setback due to the strong correlation between the S&P 500 and the Federal Reserve Balance Sheet ever since the start of Quantitative Easing.



Source: Bloomberg LP

The Dow Jones and S&P 500 reached record levels in 2013. We also monitor Treasury rates and understand the low yields have strongly assisted the push of investors into equities or holding cash. The 10-year Treasury is currently yielding 2.6-2.8% compared to the 50 year average of approximately 6.50%. With the continuing taper, we believe the 10-year Treasury will increase to closer to 3.5%. As a result, equities may not be as attractive to a yield-driven investor.

Shown in the chart below, the Fed's balance sheet has increased from $1 trillion to $4 trillion. We are aware that inflation could be a repercussion of this monetary policy at some point in the future, however do not see it affecting our team at this time.



Source: Bloomberg LP

Slow Eurozone Recovery

The recovery in Europe has been slow, with economies showing growth for the first time since 2011. The unemployment rate for the 17 countries in the Eurozone remains in the 12% range (since 2012). Deflation is a concern in the Eurozone due to these high unemployment rates contributing to the lack of domestic demand, which drives retailers to lower prices.

To keep interest rates low in struggling countries, the European Central Bank has offered an Outright Monetary Transaction (OMT) program in which the bank purchases the sovereign bonds issued by struggling Eurozone nations in the secondary market.

It is important to understand what is occurring overseas, because as value investors we often look to invest in companies that are looking to grow globally if they haven't already. Such companies looking to expand must consider the economic state of those counties they wish to enter into.

Conclusion

In our opinion, we are in a difficult investing period where many securities are either fairly valued or overvalued. This has made it difficult to find investments that are undervalued. However, we believe that through our security selection process, we have a good opportunity to outperform our benchmark. Our fund has a long-term investment outlook, and understands that business valuation and growth are the two main drivers that the market relies on. We choose companies that are undervalued and have a reasonable margin of safety.

Sector Analysis:

Basic Materials

The basic materials sector is heavily tied to the general financial markets, and thus company performance is mainly driven by market movements, and not individual performance. This is because for most companies operating in this sector, their outputs are commodities, therefore the revenues companies earn will be dictated by price fluctuations in the commodity markets. As a result, cash flows into the future are difficult to predict, as predictions would require assumptions of what future commodity prices will be.

For the Student Managed Fund our investment philosophy is to operate as value investors. In order to uphold this investment style we are required to analyze companies based on the criteria laid out in our investment strategy section. This criterion includes sustainable business models, strong competitive advantages, significant free cash flow, long term growth prospects and minimal downside risk. In the basic materials sector, regardless of operational efficiencies, end performance will be a result of commodity movements, making it incredibly difficult to analyze the required criteria. Additionally, this sector carries bleak long-term growth prospects for individual companies and significant downside risk in the form of company hardship.

For the reasons discussed above, the Fund has decided against investing in the basic materials sector.

Current Holdings: None

Consumer Discretionary

The consumer discretionary sector is a large sector that encompasses a number of different kinds of companies, covering areas such as textiles and apparel, household durable goods, automobiles, and leisure services and goods. This sector tends to be the most sensitive to fluctuations in economic stability. With the economy still slowly recovering from the recession in 2008, we focused our efforts on companies within this sector that are relatively less sensitive to changes in economic conditions. In our analysis of companies within the consumer discretionary sector, one major area of focus has been how each company within this sector performed through the last economic recession in 2008. We believe that this is a strong indicator that the company is positioned well to handle another recession in the future.

Uncertainty surrounding the political showdown in Washington D.C. and the policies of the Federal Reserve regarding Quantitative Easing has caused many to question how consumer spending will progress in the near future. Most recently, consumer confidence in November fell to its lowest level since December 2011, being negatively affected by the controversy in Washington D.C. regarding the government shutdown. The S&P 500 Consumer Discretionary Sector has returned 12.84% over the past year, while the overall S&P 500 has returned 15.51% over the past year.

With the record highs that the market has recently experienced, we have focused our efforts on the research of large companies within the consumer discretionary sector with the proven ability to maintain profitability through periods of economic recession. With this strategy, we expect our selections within this sector to continue with strong performance and be relatively immaterially affected by any changes in consumer spending patterns.

Current Holdings: BBBY, DIS, LOW

Consumer Staples

The consumer staples sector is an important sector to the market, which encompasses businesses that are less sensitive to economic conditions than many of the other market sectors. The largest areas of the sector include manufacturers and distributors of food and beverages, tobacco producers, personal products, and non-durable home goods. The consumer staples sector encompasses multiple large-cap companies such as Coca-Cola and Proctor & Gamble.

The consumer staple is a product or service that cannot be eliminated if economic outlook faces a downturn. Items such as food and beverages must still be purchased regardless of economic conditions. For this reason, companies in this sector tend to continue to perform well in an economic downturn. When the economy slows, investors tend to flock to companies with proven and steady cash flow and financial results, such as a consumer staple company. When the economy is performing well, however, these companies tend to underperform. Consumer staple companies tend to have slower growth through economic booms, and so investors tend to reallocate their capital into higher growth stocks. Overall, consumer staples tend to offer investors companies with proven business models and consistent growth and results. Consumer staples are valued as a long-term outlook investment strategy that will remain profitable throughout multiple business cycles.

The consumer staples industry has underperformed the S&P 500. Despite having some protection from economic downturns, the consumer staples industry requires constant innovation updating to follow consumer trends in order to remain viable amidst stiff competition. Throughout the recovering economy, consumer staples will be able to expand their top-line, but they will struggle to see significant growth in their bottom line. This past period saw a recent pullback in this sector. Prices for certain companies in the consumer staples industry entered into our price targets, and as a result we initiated a position in this sector.

Current Holdings: MKC

Energy

In the face of an expanding population, economic growth, new technological developments and fluctuating energy resource prices, the energy sector constantly evolving. While we are becoming more energy-efficient and moving to cleaner fuels, the world's growing demand for energy poses great challenges and attractive investment opportunities for this sector. The global population is expected to increase to nine billion people by 2040, up from approximately seven billion today, and with this expansion comes an increasing demand for electricity. This is important because today, electricity generation represents the largest driver of demand for energy, and this trend is expected to continue in the coming decades. As our economies continue to grow, commercial activity will drive growth in the transportation sector, which subsequently affects demand for energy as well. However, given the trend toward fuel-efficiency, this growth will play a gradually smaller role in the world's increasing demand for energy.

Innovation in technology is enabling companies to obtain once hard-to-reach energy resources, causing major shifts in supply. Increasing availability of unconventional energy resources, such as shale oil and shale gas, has many energy executives now believing that energy independence is on the horizon. These fuel sources will play a continuingly greater role in meeting global energy demand, and the relatively recent successes of deepwater and oil sands developments attest to that. Along with energy independence, economic growth and the environment are additional critical issues in the industry, resulting in the rapidly growing interest in natural gas due to its availability and versatility. Natural gas is the fastest-growing major fuel, and is expected to overtake coal as the secondary source of energy in the coming decades, while oil is expected to remain as the primary global fuel. Together, these liquid fuels currently supply 55 percent of global energy demands, and are expected to gradually increase going forward.

Current Holdings: XOM, SLB

Financial Services

The financial sector contains companies that provide financial services to both retail and commercial customers. The financial sector includes banks, insurance companies, credit card companies, and investment funds. The S&P 500 index contains 16.1% financial companies.

The past several years have been difficult for the financial sector. The Financial Crisis of 2008 caused the majority of the sector to take major losses, and though our economy has recovered, the financial sector is still dealing with the aftermath of the crisis. Since 2008, regulation within the financial sector has significantly increased. With the implementation of Dodd-Frank and Basel III, banks will likely suffer reduced revenues and profits over time due to capital requirements.

Litigation fees also continue to remind this sector of the financial crisis. Since the financial crisis, U.S. banks have paid over $100 billion in legal bills combined. While litigation fees have dwarfed profits of many banks in recent quarters, these settlements are a step closer to recovering and overcoming the events of 2008.

Over the past year the financial sector has performed in line with the market. The S&P Financials (SPF) has one year returns of 17.91% while the overall S&P 500 has returned 17.75%. The Federal Reserve's Quantitative Easing in recent years has enabled banks to recover from the Financial Crisis, but the concern now is how effectively the Federal Reserve will transition out of the program. Historically low interest rates are allowing for growth in our economy, but with the recent threat of rising rates, the financial sector is already beginning to experience lower profitability. For example, with the fear of rising rates, mortgage application numbers have lowered in recent quarters for major banks.

As our economy continues to recover, the financial sector will continue to regain its strength and position prior to the financial crisis. Pending regulations and the decisions from the Federal Reserve will have profound effects on this sector. As the Federal Reserve begins to taper the Easing, the effective transition and decreases of easing will be will be critical for the financial sector.

Current Holdings: AXP, USB

Healthcare

Healthcare spending makes up a large part of any modern country. In 2010, the average OECD member country spent 9% of GDP on healthcare. In the United States, 17.9% of GDP was spent on healthcare costs for a total of $2.7 trillion for 2011. This is projected to grow annually at 5.8% for the next decade, approximately over 1% higher than GDP growth. In emerging markets with growing middle classes, per capita spending on healthcare is increasing. The IMS Institute for Healthcare Informatics estimates that by 2016, 30% of global spending on medicines will come from emerging markets, compared with 20% in 2011.

Most healthcare costs are paid by governments, with different governments paying different percentages. In the United States, 60-65% of healthcare spending is paid by the government through Medicare, Medicaid, and other programs. In the United States, 83.7% of residents are covered by a health insurance plan.

Overall, there are many qualities that make this market look like an attractive environment for investing. There is high growth in demand that does not show any sign of diminishing, even in economic downturns. Governments and insurance companies are paying for these products and services, and have a large capacity to pay for increasing prices. There are high barriers to entry in many of the sectors' industries due to government regulation and large amount of capital needed to start a business.

However, despite these positive features, investment in this sector has many risks that has made us highly critical of proposed investments. Government austerity measures around the world are looking for ways to cut health care spending, which threatens to negatively affect revenues for all healthcare companies. This year in the United States, the sequestration already caused a mandatory 2% cut in Medicare spending, and the government is looking for more ways to save money. Also, as the Patient Protection and Affordable Care Act is implemented in 2014, significant changes will begin to take place in the healthcare sector in the United States. The effects of these changes are difficult to determine.

Additional risks specific to pharmaceutical and biotech companies involve patent expirations, outcomes of research, and government approval of medicines. These risks have also deterred us from making investments in these types of companies.

Current Holdings: MDT, LH

Industrials

Industrials is a diverse sector that relates to producing goods used in construction and manufacturing. Performance in the industrial goods sector is largely driven by supply and demand for construction and demand for manufactured goods. The sector follows the business cycle which makes it dependent on the state of the economy. Industrial based companies will outperform during economic expansion, but will underperform during bad economic conditions. The industrial sector has one year annual returns of 24.73%. The outlook for the industrials sector is dependent on future economic outlook, which is currently positive but still uncertain.

Global expansion and development in the BRIC countries has increased demand for industrial based companies. This growth is likely going to have a positive effect on the industrial sector and will have a positive outlook in the future. In the United States, demand for new homes is on the rise and the housing market is picking up pace. Global expansion and all time low borrowing costs gives this sector large opportunities for growth. With the advent of quantitative easing interest rates may see a rise over the next few years, limiting potential growth opportunities.

Current Holdings: PPG, DE

Real Estate

We are now five years past the housing bubble that resulted in the worst economic downturn since the Great Depression and the real estate market has continued to improve over the past few years. The monetary policy of the Federal Reserve has kept short-term interest rates at all-time lows allowing for individuals to refinance and take on loans at low costs. The multifamily market continues to be the outperforming sector with commercial real estate lagging. We think that the multifamily market will begin to slow down as individuals regain employment and start looking to purchase individual homes once again. Real estate is one of the more cyclical industries and is highly affected by the condition of the economy.

We predict that the housing market will continue its strong performance going into 2014. While tapering has led to an increase in mortgage rates we believe the overall market should see housing price appreciation in the realm of 3% per annum.

Current Holdings: NVR

Technology & Telecommunications

This sector remains highly competitive, which is why we took a top down approach. The technology sector is broken up into five very general industries. These industries are: 1) hardware, 2) semiconductors, 3) software, 4) technology services, and 5) telecommunications. After analyzing each of the five industries, we concluded that the software and technology service industries are where we want to position ourselves going forward.

First, looking at the hardware industry, we expect the hardware slump to continue into next year. PC sales continue to fall as there is a lack of innovation that has put pressure on pricing and growth. Although hardware as a whole has struggled, tablets have done very well. The tablet market continues to grow each year as consumers prefer tablets over PCs. The issue in the hardware industry is that there is not enough differentiation and innovation for hardware sellers to demand higher prices. This is an extremely competitive area that does not look promising.

Next, we analyzed the semiconductor industry. Companies such as Intel and Qualcomm are the industry leaders. The growth in this industry is expected to come from the new wearable market. Chipmakers are developing chips to meet the demands from hardware companies that are looking to sell wearable technology. The wearable market is still in its infancy and the size is unknown.

Another industry that we looked at and decided to invest in is the software industry. This is predicted to be the fastest growing industry in the technology sector. We believe data management and security software are both going to grow rapidly in the near future. The growth in software is because of increased spending of around 6.1% on software products. According to Bloomberg, software companies are estimated to grow more than 11% in 2014. There has also been more consolidation in this industry around cloud, security, mobile and analytics. Companies, such as Apple and Oracle, have significant amounts of cash on their balance sheets that they are using to acquire smaller companies. These acquisitions have helped large companies expand into the growing areas of software.

Similar to the software industry, the technology service industry has a large potential to grow rapidly. As technology and IT systems continue to get more complex, the demand for technology services rises. The salaries in this industry grew 3% in 2013, which shows the high demand for technology professionals. Global IT service spending is expected to climb 3.9% in 2014 as more customers look to improve their IT systems.

We believe that the software and technology service industries have a bright future ahead based on their current growth and the current shifts in technology.

Consolidation has also been a trend in the telecommunication industry. One recent example of this trend was the purchase of Time Warner Cable by Comcast Corp. for $45.2 billion. This deal combined the two largest cable companies. Another example was the Verizon and Vodafone deal. In this deal, Verizon paid $130 billion to buy Vodafone out of its U.S wireless business.

Current Holdings: ORCL, ACN, DTV

Transportation

The transportation sector consists of three main industries; railroad, trucking, and airline. The largest sector is the trucking industry followed by railroad. Intermodal transportation has continued to show growth over the past years due to its environmentally friendly nature and cheap shipping costs in relation to other shipping methods. A 2008 study from the U.S. Energy Information Administration showed the transportation sector accounts for 27% of greenhouse gas emissions, second to electricity at 35%. The transportation sector also consumes about 25% of energy each year. However, rail energy demand is only 2% of the sector demand for energy.

The railroad transportation industry relies heavily on three main revenue streams; coal, general merchandise, and intermodal transport. There has been a recent push away from coal, the biggest revenue producer for NSC. To counter this push, shale regions have become more reliant on Crude-by-Rail (CBR) transportation. The railroad industry will continue to grow with their new "double track double stack" approach, allowing their already cost effective business to increase shipment volume, driving profits to all-time highs. According to the Department of Transportation, demand for rail freight transportation will increase approximately 88% by 2035. For these reasons, we are optimistic of this industry and have invested in Norfolk Southern.

Trucking is a cyclical industry that provides shipping services using tractor trailers. The majority of revenue is domestically generated which leaves little exposure to foreign currency fluctuations. Factors that affect trucking negatively include high maintenance costs, Hours-of-Service law, and the price of fuel. We believe that rail has a clear advantage over trucking due to fuel efficiency and environmental impact. With increased fuel prices and public awareness of greenhouse gas emissions, rail has the opportunity to increase its share of the freight shipping market.

The airline industry has been plagued with economic and regulatory changes, which have caused many to declare bankruptcy, consolidate, or leave the market. This can be attributed to excess capacity, a weak economy, and low cost competition. The airline industry is not appealing to our team due to its volatile nature, unprofitability at times, and cost issues pertaining to labor unions and fuel costs.

Current Holdings: NSC

Utilities

The Utilities industry handles the administration of public services such as water and power. Utilities are essential to economic and consumer growth, and will not fluctuate to economic booms or economic recession. In addition, companies in the utilities sector are subject to stringent regulations that control their prices. Therefore, companies in this sector tend to have very stable fundamentals. Utilities industry is undergoing big changes due to regulatory changes, demand fluctuations, and price volatility from new competition.

The Fund believes that most utility companies are overvalued. Current speculations drive weary investors into holding Utility shares due to their stability, and through that drive stock prices upwards. Investors' positions in Utilities drive up average share prices and makes them highly valued. For this reason the Fund will not be investing in Utilities for this semester, but will continue to monitor the sector and may seek to invest if an opportunity aligns with our investment goals.

Current Holdings: None

Individual Position Analysis:

Accenture

On February 10, 2014 we purchased 934 shares of Accenture for an average price of $80.34 per share.

The three main areas of business that Accenture focuses on are consulting, technology, and outsourcing. Within the consulting arena, Accenture offers both management and technology consulting, the latter of which helps companies integrate or upgrade IT systems based on popular platforms such as Oracle or SAP. On the outsourcing front, the company assists clients in outsourcing business operations overseas. Currently holding 1,800 patents and with 2,600 patents pending, Accenture focuses on specializing in every major type of technology, including data analytics, cloud computing, digital marketing, and more. The firm utilizes its immense size and scale to operate its "Global Delivery Model" efficiently, optimizing cost advantages, proximity to clients, and speed to project completion.

With the advent of cloud-based technology, migration to the cloud is a trend being seen throughout many industries. Along with data analytics, digital marketing and insight-driven health, these technologies are being integrated into a growing number of companies across a spectrum of industries with the help of technology consulting firms. Accenture's immense size and specialized expertise in both individual technologies as well as specific industries and sub-industries allows the firm to provide unmatched understanding and specialization in the solutions it provides to clients.

Accenture's clients include 75 percent of the Fortune 500 and 91 percent of the Fortune 100 companies, and it continues to rapidly grow both organically and through acquisitions. It has a very low debt level of $25 million. This company also has a dividend yield of 2.30%, which has increased almost every year since 2006. With a 2013 FCF of $3.9 billion, Accenture has a free cash flow yield of 7.3%. With its well-established client base, financial strength, unmatched expertise, and large technology portfolio, Accenture is well positioned to outperform its competitors in the technology consulting industry.

As of May 2, 2014 we have an unrealized loss of 5.42% on ACN.

American Express

On November 11, 2013 we purchased 1,350 shares of American Express for $80.84 per share. The stock price was slightly off of its 52-week high of $83.83 and well above its 52-week low of $52.02. We continued with our purchase of AXP because we believe the company is undervalued at its current price and should earn at least 10% a year.

In addition, we purchased American Express because of their business model and their competitive edge over other major competitors such as Visa and MasterCard. The first edge that American Express has is their closed-looped model. American Express is responsible for building both their cardholder and merchant network. Visa and MasterCard operate under an opened-loop model where they allow third parties such as banks to build their cardholder and merchant network. We believe that American Express has an edge because their model allows them to have a closer relationship with the cardholders and merchants. They offer their cardholders attractive incentives through their premier reward and other incentive programs. They focus on customer service, which resulted in them winning J.D. Power & Associates award six straight years for highest customer satisfaction. They offer their merchants competitive analytics about consumer spending habits, such analytics that neither Visa nor MasterCard could provide. We believe their closed-loop model will provide a significant edge as American Express continues to expand their cardholder and merchant networks.

We also view their spend-centric model more favorably than Visa and MasterCard's lend-centric model. Visa and MasterCard focus on transaction volume. They try to issue cards to as many consumers as possible and generate a large amount of revenue from interest charged on cardholder balances. American Express is more selective in who they issue cards to. They tend to target wealthy customers who spend a lot in comparison to Visa and MasterCard who target the regular consumer. Most of American Express' cards are charge cards, which means less of their cardholders carry a balance when compared to Visa or MasterCard. Because American Express cardholders are wealthier, the bad debt and accounts receivable are less than Visa and MasterCard. American Express has a lot less transaction volume than Visa or MasterCard. Visa leads the industry with 3.77 trillion transactions in 2012. MasterCard follows with 2.43 trillion transactions and American Express is behind them with 888 billion transactions. Although this could be viewed as a concern, American Express has the largest spending per card. In fact, American Express holders spend eight times more than Visa or MasterCard. This gives them the ability to charge their merchants double what Visa and MasterCard charge. American Express's quality spending over quantity spending results in larger revenues and profits compared to Visa and MasterCard. Despite the 3.77 and 2.43 trillion transactions, American Express has triple the amount of revenue than Visa and MasterCard does.

In addition to American Express's consumer segment, they are the leading issuer of commercial cards and the largest corporate travel management service. They offer cards and other products to small businesses and large corporations. American Express serves over 70% of the Fortune 500 companies in addition to thousands of mid-sized companies. Companies prefer to use American Express because of their highly rated expense management service. American Express's portal gives corporate customers the ability to manage all of their expenses from one location. American Express also has a travel management service where companies can arrange travel plans directly through them. American Express acts as their travel agent when the company needs to send their employees to different meetings, conferences, or any other events. American Express's large presence in the corporate area separates them from their competitors and provides them with another competitive advantage.

We strongly believe American Express is the best positioned company in the card service industry. Based on our valuation of American Express, we found the company to be cheaper than its competitors Visa and Mastercard. We believe that paying by credit will continue to be the preferred choice of consumers. As that trend continues, we will continue to be very satisfied with our position in American Express.

As of May 2, 2014 we have an unrealized gain of 7.52% on AXP.

Bed Bath & Beyond

We purchased 1,320 shares of Bed Bath and Beyond on November 11, 2013 at an average price of $76.39 a share. We purchased 461 shares of BBBY on January 31, 2014 at an average price of $64.27.

Bed Bath and Beyond is a home-furnishing retailer that sells merchandise for bedrooms, kitchens, and bathrooms through multiple stores. The company operates stores under its namesake, along with Christmas Tree Shops, Cost-Plus World Market, buybuyBaby, and others. Currently BBBY operates 1,471 stores through its entire brand, the largest store in number being Bed Bath and Beyond with 1,004 stores. BBBY sells a wide assortment of domestic merchandise, including bed linens and bath items, and home furnishings, including kitchen and tabletop items. BBBY focuses on excellent customer service, an extensive breadth, depth and differentiated assortment and introduction of new merchandising offerings.

BBBY is a company that is well positioned for significant growth. Over the past few years the company has seen consistent growth in same store comparable sales. The company possesses the ability to increase the amount of sales that each store produces, through the use of expanding merchandise offerings and quality. The company also believes it is in the position to continue expansion. BBBY has consistently grown stores at a rate of 3-4% a year, and see room for this growth level to continue for the next ten years before the possibility of overpopulation of stores may occur. Outside of organic sales growth, the company has been able to grow through acquisition. BBBY purchased Cost-Plus World Market in 2012, and has grown the subsidiary's number of stores, and also same store comparable sales.

BBBY is a cash-flush company, which will produce an estimated $1 billion in free cash flow for the 2013 fiscal year. This represents a free cash flow yield of 6.5% The company has no debt, and has been able to finance expansions and acquisitions through the cash the company generates. Management has intentions to continue this trend of expansion without debt. The company has produced significant and consistent cash flows over the past decade, and has used this cash flow to reward shareholders through significant share repurchases. Over the past decade, the company has removed $7.5 billion of stock, and the board has authorized the purchase of another $1.8 billion over the next 2 years.

BBBY is a retailer, which is a highly competitive industry. Many retailers face significant competition, with narrow margins. BBBY, on the other hand, is a market leader that has a consistent record of profitability. The company is a leader through its large and dominant wedding registry business. Through the recession, the company was also able to continue store expansion and revenue growth. The company also maintained its large margin for the retailer through the recession. In total, the company is a retailer that is well positioned for all markets and to continue its growth. The business generates good cash flow, which will allow it to continue its expansion plans without debt financing, and to reward shareholders through significant share repurchase programs.

BBBY has struggled to make their earnings estimates over the past two quarters. Internet competition along with poor weather through the holiday season decreased foot traffic and same store sales growth. The company missed earnings guidance by about 6%, but the stock has seen significant losses, trading up to 18% lower. Management has targeted this as an area for potential growth, as currently only 2% of sales for BBBY are done online. BBBY is still scheduled to make $1 billion in free cash flow for 2014, and growth prospects remain positive.

As of May 2, 2014 we have an unrealized loss of 18.65% on BBBY.

Deere & Company

We purchased 858 shares of Deere & Company at an average share price of $88.58 of December 18, 2013.

Deere & Company (DE), more commonly known by its brand name John Deere, produces machinery for the agricultural, forestry, and construction industries, and also has a financing arm to facilitate its customers purchases. Deere's non-US and Canada sales account for 40% of revenues, and are expected to increase to 50% by 2018. The Agriculture and Turf division makes up 75% of Deere's sales, while 17.6% of sales come from Construction and Forestry, and 7.4% of sales come from Financing.

Deere is poised to benefit from strong, global, macroeconomic trends. First, Deere's Agriculture and Turf division will benefit from the world's growing population. The world's population is projected to grow at approximately 1.1% a year; world food production will need to increase by 1.5% a year to meet this demand. The difference in growth rates is caused by increasing global demand for meat. The world will need to produce more food with the same amount of land, less water and less people. Much of this production is expected to come from developing nations, which often use antiquated farming techniques. Developing countries will need to modernize their farming techniques to include the large machinery that companies like Deere produce in order to meet demand. Many of these developing nations' governments are beginning to provide subsidies for farmers to modernize. For example, Brazil plans on increasing its farm subsidies by 18% this year. Similarly, Deere's Construction and Forestry division will benefit from emerging markets as their economies grow faster than those of the rest of the world. These economic tailwinds show no sign of diminishing for Deere. In response, Deere has constructed an additional seven factories in Brazil, Russia, China, and India, and has expanded its financing arm into many other countries to better meet increasing demand.

As of May 2, 2014 we have an unrealized gain of 4.89% on DE.

DirecTV

We purchased 2,086 shares of DirecTV at an average share price of $71.90 on February 18, 2014.

DirecTV is a television provider that operates through the use of satellites. The company purchases orbit slots, giving it the right to broadcast signals over a specific region. DTV currently operates in the United States and Latin America, including Brazil, Mexico, Argentina, Chile, Ecuador, Puerto Rico, Venezuela, and Colombia. The company has exclusive rights through multiple sports leagues to offer special packages. DirecTV also has the largest offerings of high-definition, and three-dimensional channels.

Domestically, the company has a strong subscriber base, with over 20 million subscribers in the United States. The company's strategy includes offering high margin channel packages, such as NFL Sunday Ticket, and technology packages, such as The Genie. The average revenue per unit (ARPU) in the United States is over $93, compared to Dish Network's ARPU of $77. DirecTV has a profit margin of 17.9% in the United States, which has seen a 6% growth over the past few years.

The Latin American market is undergoing a television revolution. Many households are rapidly demanding the ability to have digital television. The pace of growth rapidly outperforms the ability of local cable companies to invest in the necessary infrastructure. As a result, satellite companies, which do not need the infrastructure, are leading the expansion. DirecTV currently has 15.5 million subscribers in the area, and has seen growth of 30% in terms of subscribers over the past few years. The digital television industry is estimated to grow at 10% over the next decade, and eventually reach 84% of all households in the region. DirecTV estimates subscribers will reach 20 million in the region by 2018, representing a growth of 7% annually. The company has the scalability to expand rapidly in this region, due to the fact that it already has the satellites in place. DirecTV's large subscriber base also gives it access to programming options that most competitors do not have the ability to access. Most of the competition in the region is small cable companies, limited just to one country, and so they have limited access to international programming options. The company is also depreciating its capital expenditures in the region at a highly rapid pace. This limits bottom line growth at startup, but creates the opportunity to see rapid expansion to earnings in the future.

DirecTV's is expected to generate a free cash flow yield of 10% for 2014. The company's management has been committed to creating value for shareholders. Over the past seven years, the company has repurchased 60% of all shares outstanding. DirecTV's management has been issuing debt over the past few years in order to support such an extensive stock repurchase program, but management has stated that it will no longer issue debt. The company will continue, however, to reward shareholders by repurchasing stock, including a recently announce $3.5 billion program, using the cash flow it generates through operations.

As of May 2, 2014 we have an unrealized gain of 11.11% on DTV.

Exxon Mobil

We purchased 1,391 shares of Exxon on November 6, 2013 at an average price of $92.86 per share.

Exxon is in the business of energy – it explores, produces, transports, and sells crude oil, natural gas, petroleum products, and a wide variety of specialty products. Exxon invests heavily in its growth to meet the world's growing demand for energy, while at the same time improving its operating efficiency. It grows through acquisitions and contracting new projects in geographically diverse areas, as well as in a wide variety of different types of exploration projects – including conventional and unconventional oil and gas sources. Exxon also has a strong focus on developing proprietary technology. It holds approximately 10,000 active patents and licenses many of them to third parties. Through the constant improvement of its operating technology, Exxon is able to produce its goods more efficiently.

With Exxon's vast resource base, financial strength, disciplined investment approach, and large technology portfolio, it is well positioned to outperform its competitors in the energy market. It has a dividend yield of 2.8% which has increased consecutively for the past 30 years, a 2012 FCF of $43.7 billion, and a market cap of $410.4 billion, giving it a free cash flow yield of 10.1%.

Exxon maintains multiple competitive advantages in its industry. It has superior technology compared to its competitors, boasting an operating uptime on deep-water assets of 93% versus competitors' average uptime of 86%. Exxon has the most profitable downstream and chemical businesses in the industry, and produces the highest free cash flow yield out of all of its main competitors.

The industry as a whole is in a period of high capital investment to meet the world's growing demand for energy. Over the next three decades, the world's population is expected to increase to approximately 8.7 billion people, and energy demand is expected to subsequently increase significantly as well. We believe that Exxon is better positioned to capitalize on this growth than any of its competitors. Just last year, Exxon invested nearly $40 billion in capital expenditures—$3 billion of which went to acquisitions. It has approximately 30 different projects due to start-up in the next half-decade, with the expectation of delivering an additional one million net barrels of production per day by 2017.

As of May 2, 2014 we have an unrealized gain of 9.85% on XOM.

Laboratory Corporation of America Holdings

We purchased 833 shares of Laboratory Corporation of America Holdings (LH) on February 20th, 2014 at an average price of $92.20 per share.

LH is a clinical laboratory company in the United States that provides a wide range of testing services to hospitals, pharmaceutical companies, Managed and Accountable Care Organizations, and individual patients. LH's core business is to provide both routine and niche testing for patient diagnosis, as well as performing clinical trial research for pharmaceutical companies. A new line of business that LH is branching out into is IT services for the purposes of patient medical data management and decision support systems for healthcare professionals.

In the United States, the clinical laboratory industry is currently going through a period of consolidation. A third of the industry is composed of many local and regional labs, while the rest is split evenly between LH and its competitor Quest Diagnostics (DGX). The two companies have very similar business models and are similarly sized. We chose to invest in LH because of its higher profit margins, higher returns on equity, and its recent partnership with United Health Group.

Overall trends in the healthcare industry will work in LH's favor for many years to come, specifically the aging population and healthcare reform. Healthcare reform aims to bring insurance coverage to 15% of the population, and it also requires that insurance companies pay for basic preventative care. Preventative care is a focus in the industry as a means of reducing the overall cost of healthcare. These factors mean that more people will be tested more often for various illnesses, and LH will perform much of this testing. Also, because its new IT services aim to reduce the cost of healthcare, these services will be in high demand as well.

As of May 2, 2014 we have an unrealized gain of 6.53% on LH.

Lowe's

We purchased 1,320 shares of Lowe's on November 12, 2013 at an average price of $49.71 a share.

Lowe's Companies is the second largest home improvement company with a $48.7 billion market cap behind Home Depot who has a $107.7 billion market cap. Lowe's operates 1,758 building materials and home improvement superstores in the United States, Canada and Mexico. In Lowe's 2012 annual report, management stated that they currently operate 1,715 stores in the United States, 34 stores in Canada, and five stores in Mexico. Lowe's products include: appliances, lumber/plywood, paint, flooring, millwork, building materials, seasonal living, fashion plumbing, tools, hardware and lighting.

Lowe's produced $3 billion in LTM free cash flow and is using this free cash flow to buyback shares and to issue a $.18 quarterly dividend. Lowe's is looking to expand internationally to continue to grow their top line with a significant portion of store growth to occur over the next five years in Canada and Mexico. They are also in a joint venture with Australia's largest retailer, Woolworths Limited, to develop a network of home improvement store for customers in Australia.

With the housing market continuing to develop and build on its improvements over the past few years, we believe that Lowe's is positioned to capitalize and profit in the coming years. We also believe that Lowe's will be able to increase its net margins from 4.0% to 5.5% through operating efficiencies. Just over the past quarter, the CFO commented during the quarterly conference call that quarter over quarter EBIT margins had increased by 110 basis points. Last, Lowe's announced a new stock buyback program in February 2013, in which they plan to buy up to $5 billion worth of stock over the next two years. This equates to 10% of the outstanding shares at today's valuation.

After watching shares retreat over 7% since our first purchase we have decided to allocate an additional 300 shares to our position. We believe Lowes continues to be an attractive company within the consumer discretionary space and remain positive on its long-term prospects.

As of May 2, 2014 we have an unrealized loss of 4.72% on LOW.

Medtronic, Inc.

We purchased 2,201 shares of Medtronic on February 18, 2014 at an average price of $56.57 a share.

Medtronic, Inc. is a medical devices company with a market capitalization of $56 billion. MDT operates primarily through their Cardiac & Vascular and Restorative Therapy groups, both of which account for approximately 50% of revenues. Cardiac & Vascular products include pacemakers, mechanical heart valves, and implantable defibrillators; while the Restorative Therapy products include deep brain stimulation therapy, reconstructive spinal therapy, as well as surgical tools and equipment. MDT has also been growing its diabetes segment through its insulin pumps and continuous glucose monitoring systems. Currently, MDT holds more than 28,000 patents related to medical devices and equipment.

Medtronic is adapting to the changing United States healthcare sector. MDT firmly believes that healthcare companies in the future will be highly rewarded for the value they provide to their customers. In response, MDT recently acquired Cardiocom, a healthcare management company. With this acquisition, MDT will now be interacting with patients before medical devices are actually necessary. The result will be a total healthcare experience, with MDT able to provide more value to their patients.

Financially, MDT is one of the better positioned healthcare companies. MDT has free cash flow of $3.5 billion, which given its market cap, translates to a 6.25% free cash flow yield. On top of this, management is committed to returning 50% of its free cash flow to shareholders. This commitment is visible through MDT's strong dividend and stock buyback programs. We believe that MDT's financial condition will continue to strengthen as they successfully adapt to the new healthcare system. This strengthening, combined with management's commitments to return free cash flow to shareholders, will result in strong annual returns for shareholders.

As of May 2, 2014, we have an unrealized gain of 3.88% on MDT.

McCormick & Company

We purchased 1,549 shares of McCormick & Company (MKC) on February 18, 2014 at an average price of $65.50 per share.

McCormick & Company manufactures, markets, and distributes flavor products (including spices, herbs, extracts, seasonings and flavorings) and other specialty food products to the food industry. McCormick & Company sells 25 different brands in over 125 countries. McCormick distributes and sells to retail stores, food manufacturers, and foodservice businesses. The Company operates in two business segments: consumer (62% revenues) and industrial (38% revenues). Pepsico (PEP) is McCormick's largest customer in the industrial segment while Wal-Mart (WMT) is the largest customer in the consumer segment. The Americas account for 68% revenues, while EMEA produces 21% of revenues, and APAC produces 11% of revenues.

McCormick & Company is well positioned in the herbs and spices market and recent investments offer promising growth for the company. McCormick controls 22% of the global herbs and spices market, four times the size of the next closest competitor. Among the top flavor categories, the $10 billion herbs and spices market is projected to grow by $1 billion in the next five years. Aside from the natural growth of the herbs and spices market, McCormick's plans to grow through product diversification and acquisitions.

McCormick & Company has a focus on investing in emerging markets. In May 2013, McCormick acquired Chinese bouillon manufacturer, Wuhan Asian Pacific Condiments (WAPC). WAPC distributes products under two primary brands, Daqiao and ChuShiLe. The Company has grown 25% annually for the past five years and is projected to continue to grow at 10% annually. WAPC has increased McCormick's sales in China by more than 60%. In 2011, among several acquisitions including Kitchen Basics and Kamis, McCormick entered a joint venture with Indian rice manufacturer Kohinoor. This joint venture has significantly developed McCormick's distribution channels in India.

McCormick & Company also has a strong focus on shareholder returns. McCormick's 10-year total shareholder return (12%) has outpaced both the S&P500 Food Group's return (11%), and the S&P500 return (8%). McCormick distributes returns in the form of dividends and share buybacks. McCormick's dividend has grown at 10% annually for the past 13 years and now yields 2.30%. In 2013, McCormick announced a new shareholder repurchase program to buyback $400 million worth of shares. McCormick recently completed its previous $400 million buyback program that was announced in June 2010.

As of May 2, 2014 we have an unrealized gain of 9.30% on MKC.

Norfolk Southern

We purchased 1,413 shares of NSC on October 29th, 2013 at an average price of $88.27 per share.

Norfolk Southern is a railroad transportation company that shares the East and Southeast of the United States with its main competitor, CSX Corp. Management has a proven record of returning equity to shareholders through their stock buyback programs. We bought this company compared to it competitors because of its consistent ROE of 17% and the highest dividend yield in the industry.

Specializing in shorter-haul transport compared to Union Pacific and Burlington Northern, NSC relies heavily on coal, chemical, automotive, and intermodal transport. Intermodal transport is increasing due to a widening of the Panama Canal, which will allow for wider ships to have easier access to the East Coast. The Marcellus Shale region in the heart of Pennsylvania is a great advantage over its closest competitor, CSX. With the decline in demand for coal, natural gas coming from Marcellus Shale, along with the necessary products needed to extract the natural gas, have countered any losses in revenue. In the long-term we look for Norfolk Southern to grow 12% annually.

The industry outlook is optimistic with high barriers to entry, persistent pricing power, and the growth of Crude-by-Rail. Rail companies are consistently improving efficiency through increases in transport volume. Potential risks are the possibility of government regulation, decreasing pricing power and low demand for coal driving down profits.

As of May 2, 2014 we have an unrealized gain of 6.00% on NSC.

NVR

We purchased 80 shares of NVR on November 12, 2013 at an average price of $945 a share.

NVR, Inc. is a homebuilder with a current market capitalization of $4.2 billion. NVR constructs and markets single-family detached homes, townhouses, and condominium buildings. NVR also works as a mortgage lender through its wholly owned subsidiary, NVR Mortgage Finance, Inc. NVR operates in the Mid-Atlantic, Northeast, Mideast and Southeast, with nearly half of revenues originating from the Washington D.C. and Baltimore metro areas, as of fiscal year end 2012.

NVR has demonstrated excellence in the past, having been profitable for the last sixteen years. More importantly, NVR is positioned well for the future. NVR has shown strong growth in backlogs, with home sales under contract up 33% year over year. This statistic should continue to remain positive as the housing sector recovers from the financial meltdown in 2008. On top of this, management has shown a commitment to buying back shares, having bought back 6% of shares outstanding in the latest quarter. We also predict NVR to have a strong free cash flow of around $300 million in 2014, giving it a 7.5% free cash flow yield.

NVR is unique from its competitors in its lot acquisition strategy. As opposed to developing lots on their own, NVR acquires finished lots at market prices from various third party land developers. Typically, these lot purchases are executed with fixed price purchase agreement. With this method, NVR is able to avoid the burden of developing lots and is able to operate with less capital, maximizing returns on both equity and invested capital.

Since the last report NVR shares have surged 20%, based on a top and bottom line that beat of analysts' estimates for their previous quarter. NVR also announced an additional $300 million share buyback program in December. NVR continues to be firing on all cylinders and the fund is pleased with its performance thus far and still sees significant upside in the future.

As of May 2, 2014 we have an unrealized gain of 17.16% on NVR.

Oracle Corp.

We purchased 2,569 shares of Oracle on January 31, 2014 at an average price of $36.99 a share. The stock price was slightly off of its 52-week high of $38.77 and well above its 52-week low of $29.86. We continued with our purchase of ORCL because we believe the company is undervalued at its current price and our investment should earn 8%-12% a year.

Oracle is an enterprise software provider that also focuses on databases, hardware, middleware, applications and other IT components. Software accounts for 74% of their revenue while hardware and services account for the other 12% and 14%, respectfully. Oracle's core focus is in the infrastructure software industry. Oracle currently owns 10.50% of the total market share of this industry and also is the third largest company behind Microsoft and IBM in terms of market capitalization. Most of Oracle's products are licensed to their customers. Oracle owns the hardware, software, database, middleware, applications, and they rent their products to their customers. Most of their products are standardized, but they have the capabilities to offer customized products and solutions to customers.

Oracle's business model is very "annuity-like" consisting of databases, acquisitions, and cloud computing. "Annuity like" is a way that we classify business models that have consistent recurring revenue. We believe Oracle falls into this category because customers typically sign contracts in order to receive Oracle products. These contracts include licensing fees, which are collected by Oracle each year for allowing their customers to use their products. Once a customer uses Oracle products, it is very unlikely that they switch from Oracle products given the complexity, high costs, and disruption of business in doing so. This "annuity-like" business is one of the many reasons why we invested in Oracle. In addition to their "annuity-like" business model, a major part of their business model revolves around databases. In fact, Oracle owns 48% of the database market and uses their databases as a way to sell customers additional Oracle products. This is an advantage for them because they are able to generate more revenue with the same amount of customers where many of their competitors cannot. Another key aspect of their business model is growth through acquisitions. In order for Oracle to stay competitive in every single market from as big as HR talent recruiting to as small as border control, they acquire smaller companies that are experts in their industry. Since 2005, Oracle has acquired more than 80 companies. The most noticeable were PeopleSoft, BEA, and Sun Microsystems, which gave Oracle control over Java.

Going forward, Oracle plans to dominate the fairly new, and fast growing, cloud computing industry. They have already made significant investments into the cloud and also started to integrate the cloud with existing products such as the "Oracle Cloud" and "Oracle Fusion". We believe that with Oracle's strong business model, competitive advantage, and success in the database market, that they will find new growth opportunities in cloud computing.

As of May 2, 2014 we have an unrealized gain of 10.29% on ORCL.

PPG Industries

We purchased 325 shares of PPG Industries on February 18, 2014 at an average price of $188.46 per share.

PPG Industries is a Chemical Coating industry with over 150 facilities in 70 countries. With 30% of its sales coming from Europe, a bounce- back in the Eurozone provides a large upside. The Company is also looking to extend its share in the Asian market, which accounts for 17% of total sales already. PPG's ability to diversify their operations to not be reliant on a single revenue stream has allowed for expansion of these activities, as well as the divestiture of operations not conducive to company growth. Innovation, sustainability, and customer service are the three main drivers of PPG's vision to remain the world's leading company in coating and specialty products.

The Chemical Coating industry provides paint and sealants for Performance, Industrial, and Architectural companies in both the original equipment market (OEM) and aftermarket. The coating industry has changed over the years as technology continues to allow for more efficient and environmentally friendly coating alternatives. Demand growth in emerging regions such as Asia Pacific, Eastern Europe, and Latin America range from 6-8% per year. The United States, Western Europe, and Japan are more mature and reliant on the health of the economy; in particular housing, transportation, and construction.

With a free cash flow yield of 5.87%, a return on equity of 25%, and consistent stock buybacks and dividend increases, PPG has all the makings of a company focused on increasing value for shareholders. At the current price, the company is trading under fair value and is expected to increase to the $200 range in 2014. PPG is looking to grow through acquisitions such as Akzo Nobel, a North American architectural coating company and most recently Hi-Temp, a company specializing in coating steel at high temperatures. These acquisitions and those to come will only continue to strengthen this company and allow for continued competitive advantage and higher margins moving forward.

As of May 2, 2014 we have an unrealized gain of 3.57% on PPG

U.S. Bancorp

We purchased 2,631 shares of U.S. Bancorp at an average of $37.80 per share on October 24, 2013.

U.S. Bancorp is a multi-state financial services holding company based in Minneapolis, Minnesota. With a market cap of $74 billion, U.S. Bancorp is the fifth largest bank in the United States. Company operations are divided into consumer and small business banking, payment services, wholesale banking, and wealth management. Consumer and business banking operations cover 25 states primarily in the Midwest and Western United States. Wholesale banking and wealth management is operated nationally and payment services business operates internationally. The majority of the bank's revenue is sourced from traditional banking, including loans and deposits. Business revenues are sourced primarily from consumer and small business banking, consisting of 47% of revenues, and payment services generating 25% of revenues.

U.S. Bancorp is a leader in performance ratios, with the highest ROA, ROE, and lowest efficiency ratio in the industry. U.S. Bancorp's efficiency lies in the company's business mix, technological scalability, and conservative credit culture. U.S. Bancorp's business mix allows for low revenue volatility, with approximately 50% of revenues being non-interest/fee-based. The firm's payment processing segment, which makes up 15% of total revenues (versus 3% total revenues of competitors) offers consistent, stable returns. U.S. Bancorp also has a cost advantage with technological scale by having a single processing platform. Unlike some peers, U.S. Bancorp houses all payment processing in one location; it can respond to changes one-time at a lower cost.

U.S. Bancorp's strong credit culture enables less volatile loan losses. U.S. Bancorp has the number one lowest net charge-off volatility among peers. U.S. Bancorp has not changed its underwriting standards since the recession while many peers have eased wholesale standards. U.S. Bancorp's strong credit standards have allowed it to maintain a low risk profile. U.S. Bancorp also maintained higher loan growth than competitors. The Company's loans grew 5.7% from 3Q13 to 3Q12 while the next closest competitor grew at 5.4%. Primary drivers of the loan growth are sourced from increases in residential mortgages (up $7.7 billion or 19.1% from 2012), commercial loans (up $6.4 billion or 10.6% from 2012), commercial real estate loans (up $1.7 billion or 4.7% from 2012), and credit card loans (up $160 million or 1% from 2012). U.S. Bancorp's net interest margin (NIM), though slightly declining year over year is also ranked highest in the industry alongside Wells Fargo.

Additionally, U.S. Bancorp has established much growth through acquisition in recent years. After the 2008 Financial Crisis, unlike many major banks in the United States, U.S. Bancorp grew through selectively acquiring several distressed regional banks including First Citizens Bancshares Inc. and BB&T Corporation. U.S. Bancorp continues to build its merchant processing segment. In 2001 U.S. Bancorp acquired Elavon, formerly known as NOVA, a major card processing company, that makes up a significant portion of the company's payment services segment. Elavon is the fourth largest card processor in the United States and the sixth largest card processor in Europe. In February 2013 U.S. Bancorp acquired Canadian merchant processing company, Collective Point of Sales Solutions, to expand the company's merchant processing network.

U.S. Bancorp has developed a strong focus on returning earnings to shareholders. Over the next several years U.S. Bancorp plans to return 60-80% of earnings to shareholders through dividends and share buybacks. In 2013, U.S. Bancorp has displayed this commitment through an 18% increase in dividend from 1Q13 to 2Q13 and a 20% increase to $2.25 billion in the company's stock repurchase plan from 2012. The conservative nature of the company coupled with strong management and a concern for customers and shareholders makes U.S. Bancorp well positioned for long-term success.

As of May 2, 2014 we have an unrealized gain of 6.84% on USB.

Schlumberger

We purchased 841 shares of Schlumberger at an average price of $88.06 per share on January 31, 2014.

Schlumberger is the world's leading oilfield service company. SLB offers a complete line of products and services that cover all phases of the oil exploration process. The company operates in 85 countries, and is well diversified geographically. Schlumberger operates through three groups: Reservoir Characteristics Group; Drilling Group; and Production Group.

With a market capitalization more than double all of its competitors, Schlumberger has dominated the oilfield service market. The company has 15 product lines, of which, 10 are considered the best performing in the industry. Schlumberger has demonstrated that the usage of its products can increase the productivity and efficiency of a well by up to four-fold. Oil exploration companies desire oil wells to be maximized in terms of productivity, and Schlumberger's product line is the one capable of achieving that. Schlumberger is also devoted to research and development in order to maintain this competitive advantage. With over 125 R&D locations worldwide, the company continues to be a leading technology producer in the industry.

The oilfield service industry is about to see rapid expansion, led by deep-water drilling, fracking, and national oil companies. Deep-water drilling is estimated to see annual growth of 15% over the next ten years, as many large oil companies expect this area of drilling to lead oilrig creation. Schlumberger is the leading oilfield company in this segment of the market, offering most of the only handful of products that allow this form of drilling to take place. Fracking, or pressure drilling, is becoming a popular method of drilling for both oil and natural gas. Countries, such as China and Japan, are implementing this method as a mean of focusing on natural gas extraction. China is estimated to implement 20 new natural gas wells in 2014, led by PetroChina, with whom Schlumberger has an exclusive contract. Finally, oil field expenditures by national oil companies are estimated to increase by 12-15% annually over the next 5 years, led by Brazil, Venezuela, and Norway. Overall, the oil field expenditures are estimated to see 15% annual growth over the next decade. As the leading oilfield service company, Schlumberger is well poised to receive a large portion of that growth.

Schlumberger has a strong history of a steady cash flow. The company's excellent product line allows it to have pricing power. As a result the company has the highest profit margin in the industry, and free cash flow larger than two times all of its competitors in aggregate. Management has a strong devotion to using the company's cash flow to reward shareholders. The dividend has been consistently raised since 2005. Management has purchased $8 billion in shares over the past few years, and has approved another $10 billion to be repurchased by 2018. Schlumberger is well poised in an industry that will see steady growth, and management uses the company's strong cash flow to reward shareholders.

As of May 2, 2014 we have an unrealized gain of 14.71% on SLB.

The Walt Disney Company

We purchased 724 shares of The Walt Disney Company at an average price of $69.38 per share on November 6, 2013.

The Walt Disney Company is the world's largest media conglomerate. As a media conglomerate, Disney is a diversified company that spreads its business across five different business segments. These segments include Media Networks, Parks and Resorts, Studio Entertainment, Consumer Goods, and Interactive.

Disney has gone through a major capital cycle over the past few years, acquiring Marvel Entertainment in 2009 for $4 billion, and Lucasfilm in 2012 for $4.05 billion. Currently, Disney is positioned to capitalize on these acquisitions through its proven capability of nurturing strong brands. The acquisitions of both Marvel and Lucasfilm place Disney in a strong position to lead the box office for several years into the future, as these are two of the most valuable franchises in the entertainment industry and have historically drawn large audiences, spread throughout the multiple films in each franchise. Recently, Disney announced that the first of its Star Wars films, Episode VII, will be released in December 2015. Also, the 2004 Pixar acquisition and the recent rebirth of Walt Disney Animation Studios, supported by the recent success of Frozen, has translated into great results for the company. This also sets the company up for strong results in the future as both Pixar and Walt Disney Animation Studios plan to regularly release films over the next several years. Most importantly, these franchises grant Disney access to a large library of characters, whether it be the vast array of Star Wars characters or the superheroes present in various Marvel films. Access to these characters enables Disney to strengthen profitability across all of its brands. Disney is able to leverage this content through activities such as the licensing of consumer goods and the incorporation of characters into theme park attractions.

The construction of the Disney Shanghai Resort, which is scheduled to open by the end of 2015, marks a significant accomplishment for Disney internationally as it represents the company's first entry into mainland China, one of the world's largest economies. The Media Networks segment has continued to produce significant amounts of cash, led primarily by the consistently high affiliate fees generated by ESPN. As a channel that is high in demand, ESPN is able to charge affiliate fees that are significantly higher than all other channels. This translated into a strong performance for fiscal 2013, with free cash flow of $6.65 billion, or approximately a 5.3% free cash flow yield, which will fuel Disney's consistent return to shareholders through share repurchases and dividends. Recently, the company announced that they expect to repurchase $6 billion to $8 billion in common stock during fiscal 2014. Through the strong leadership of its management team, headed by current CEO, Bob Iger, Disney is positioned for strong results going into the future.

As of May 2, 2014 we have an unrealized gain of 15.73% on DIS.

Lessons Learned:

Over our tenure, our group has encountered a number of difficulties in both the selection of securities and the purchase process. Regarding the selection of securities, we have had a number of setbacks due to the record high levels that the market experienced. In terms of the purchasing process, recently adopted measures regarding Corporate Social Responsibility have slowed the purchase process on multiple occasions. The difficulties we encountered over the academic year have been:

- **Selection of Securities:** In a market that is at record high levels throughout all sectors it has been difficult to find stocks that are selling at a price that will generate a significant enough return. Many of the stocks that we researched and valued were significantly overvalued in the market. Since many companies were so overvalued, the difficulty that we encountered here was attempting to find companies that fit our investment criteria outlined above, while also selling at a price that was not overvalued.
- **Purchase Process:** The Foundation recently encouraged the Fund to evaluate companies based on Corporate Social Responsibility (CSR). The recent implementation of CSR evaluation has caused our group to stumble in the purchase process. There has been some confusion about how to satisfy this new requirement. This has delayed our purchase of securities that we have approved, and on a couple of occasions, we have missed some upside due to this delay. Our group, however, has learned how to evaluate companies on CSR. Throughout the year, we have also had multiple occasions where managers had to do extensive research in the area of CSR. As a group we have learned how to research this new area of importance.

Our experience as managers has taught us valuable lessons that will benefit us after graduation. Some of these lessons are:

- **Rigorous evaluation of companies:** Implementation of our investment criteria has allowed us to identify companies that will be successful and prosperous for many years to come. We will continue to ensure that the companies that we invest are not only an excellent investment decision, but are at a price that will allow the Fund to generate an adequate return. We have used multiple methods of valuing companies in order to ensure that the price is positioned well, including the Discounted Cash Flow method and the Plowback method.
- **Corporate Social Responsibility Initiative:** We have incorporated the evaluation of a company's CSR into our one-page investment reports. This has allowed our group to quickly make judgment on a company's merit in the area of CSR, and whether we will need to perform in depth research. We have also created a template for how to research and evaluate companies in the area of CSR if their reported metrics are inadequate.
- **Teamwork:** The Fund has given us the opportunity to development our teamwork skills. Given the demanding nature of the program, we have had to come together in order to effectively manage the fund. The opportunity has allowed us to experience a realistic work-environment, in which teamwork is essential.
- **Responsibility:** Managing a fund of this size requires extensive discipline from each member. Each member had to meet the expected standards in order for us to be most effective. Moving forward, this sense of personal responsibility will be an essential skill in our professional careers.